

## **MOODY'S UPGRADES CAPITEC'S RATING**

**17 May 2007**

Moody's Investor Service has raised the long-term national scale credit rating of Capitec Bank Limited, Capitec's banking subsidiary, by two notches from Baa1.za to A2.za. The short-term rating at Prime-2.za remains unchanged and has been affirmed.

The long-term rating reflects a good long-term credit quality and the short-term rating a strong ability to repay short-term debt obligations.

Moody's recently published the ratings results for banks in South Africa as part of the application of its refined joint default analysis (JDA) and updated bank financial strength rating methodologies (BFSR).

The JDA for banks incorporates what Moody's believes to be greater transparency, consistency and increased recognition of the likelihood of external support. The BFSR methodology clarifies the rating process for banks, includes a rating scorecard and measures the intrinsic financial soundness of a bank on a standalone basis, without reference to external support factors.

Capitec's banking operations began in March 2001 and its holding company was listed in February 2002, which was the same time as the small banking crises in South Africa. "It was very difficult to obtain wholesale funding at the time," said André du Plessis, financial director of Capitec Bank.

“During January 2006 the bank was rated for the first time and we were very pleased to obtain an investment grade national scale issuer rating at the time. It certainly increased our credibility and enabled us to gain easier access to funding,” du Plessis said.

The group has improved its financial position and results continuously since its inception. Shareholders funds increased from R391 million in February 2002 to R1,1 billion in February 2007. It has achieved a compounded growth in earnings of 27% over the past 5 (five) years and its return on shareholders’ equity for the latest year-end amounted to 26%.

“Apart from the improved financial statistics, we continually improve our operational efficiencies, control framework and credit models. This we believe is a significant contributor towards the two notch improvement in the credit rating,” said du Plessis.

Moody’s general manager and lead analyst for South African banks, Mardig Haladjian, commented: “The upgrade in Capitec Bank’s rating to A2.za reflects the progress made in franchise growth as well as the improved financial performance over the last year. The application of Moody’s updated rating methodology has enabled us to focus on these more intensely and contributed to the rating upgrade.”

Du Plessis concluded: “The bank is doing well. We are growing in line with our operational targets, and although we do not currently need to raise funds, our credibility as a deposit taking institution and bank remains of utmost importance – also for future funding requirements.”

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Issued by Capitec Bank

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